

Infrastructure Funding Process That Makes Sense

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**WATER TRUST BOARD APPLICATION
AND FUNDING PROCESS**

NOVEMBER 2013

New Mexico Needs:

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- ✓ An easy, direct **application process** that gets funding to well designed, fully vetted projects.
- ✓ Better process = completed projects in less time.
- ✓ Better process = better oversight and better way to pay for Operations, Maintenance and Repairs.

Step 1.

Make the application simple

Reduce initial application to letter of interest with contact information, project description, and funding requested.

- More time for applicants to complete application.
- More time to review application and work with communities to identify and correct deficiencies.
- Process Works! – Two Mutual Domestic Associations were able to fix problems and stay on list in this funding cycle that would have been removed before.

Step 2.

Help our communities when they apply

NM can help small communities to meet the requirements.

- To do so, the WTB asked for technical help from:
 - ✓ Rural Water Association
 - ✓ Rural Community Assistance Corporation
 - ✓ Environmental Finance Center with UNM
 - ✓ New Mexico Acequias Association
 - ✓ NMED Drinking Water Bureau
- NMFA staff have increased outreach efforts, providing training in the application process state-wide.

Step 3:

Improve the quality of applications so they will get approved

Extend the deadline to submit initial and detailed applications.

- This gives more time for applicants to gather and verify information and complete items, such as permitting.
- This time gives the WTB staff and reviewing agencies time to identify deficiencies and work with applicants to correct them.

Step 4.

Complete More Projects in Fewer Phases

Favor shovel ready projects

- Will require a Preliminary Engineering Report to ensure adequate planning.
- Require current, professional cost estimates for full project funding.

Step 5.

Increase Capacity for Operation, Maintenance & Replacement (OMR)

Implement HJM 86 and improve old WTB policies by:

- Require Asset Management Planning.
- Will require sustainable user rates with a reserve account for replacements.
- Require a certified operator as appropriate.
- Will require source water protection plan and written operating procedures.

Step 6.

Support communities by having engineers and accountants already on staff to review and give oversight.

Use state employees to help the communities by providing oversight and review

- ❖ WTB, through its staff at NMFA, has a MOU with NMED to use its engineers to provide review and technical oversight.
- ❖ NMFA has increased its level of accounting and reporting on Water Project Funds.
- ❖ NMFA staff is diligently following up on quarterly project status reporting required in grant/loan agreements.

Current Problems

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- **Rushed start:** Not enough time at the beginning of the process.
- **Poor Planning:** Paying for projects that will fail
 - Tier 1 scoring system can fund projects with serious deficiencies.
- **Redundant:** Process demands a 2nd update and a 2nd evaluation.
- **Stalls out:** Applications 10 months old when distribution of funds are made.

NM can now give one-on-one support to communities and eliminate additional reviews and update-with no added time

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OLD PROCESS

November: Full Application and prescreen.

- Tier 1 Scoring-only needs a 60% to pass.
- Tier 2 Scoring

March: Authorization from Legislature

April: Readiness to Proceed questionnaire & Re-evaluation.

June: Funding allocation

IMPROVED PROCESS

New August: Project interest and prescreen.

March: Authorization by Legislature (required by state statute)

New March: Full application submitted

New: A Pass Fail evaluation (House Joint Memorial 86)

New April: Public Hearing followed by Tier 2 Scoring

June: Funding allocation.

2014 Funding Criteria

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Qualifying Project:

1. Storage, conveyance or delivery of water to end users (typically 60% - 75% of funding);
2. Implementation of federal Endangered Species Act programs (typically < 10% of funding);
3. Restoration and management of watersheds (typically 5% - 15% of funding);
4. Flood prevention (typically < 10% of funding); or
5. Water conservation or recycling, treatment or reuse of water (typically 15% - 30% of funding)

2014 Funding Criteria

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- 10%, 15%, or 20% local match for funding of <\$500K, <\$1M, or >\$1M project.
- 10% to 40% zero percent interest loan depending on debt capacity + .25% Admin fee.
- No single applicant receives more than 15% of available funds in any given funding cycle.
- No new money awarded if >5% of old money not spent (Continuation Policy).
- For 2014 – 124 applications received totaling \$142,926,417.

Funding Results from 2013

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- 87 applications received totaling \$112,000,000;
- Legislature authorized 62 projects for funding in SB 228; and
- 35 projects funded totaling \$36,938,535.

(See handouts of SB 228 and funding summary spreadsheet)

Scott A. Verhines, P.E.
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